THE HEALTH OF RHODE ISLAND'S HEALTH INSURERS (2002)

~ A Financial Analysis ~

HQPM

Health Quality Performance Measurement

RHODE ISLAND DEPARTMENT OF HEALTH

“The Health of RI’s Health Insurers (2002)”

Bruce Cryan, MBA, MS

Rhode Island Department of Health
Office of Performance Measurement
(401) 222-5123
FAX (401) 273-4350
brucec@doh.state.ri.us
www.health.ri.gov

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Patricia A. Nolan, MD, MPH
Director of Health

Donald L. Carcieri
Governor

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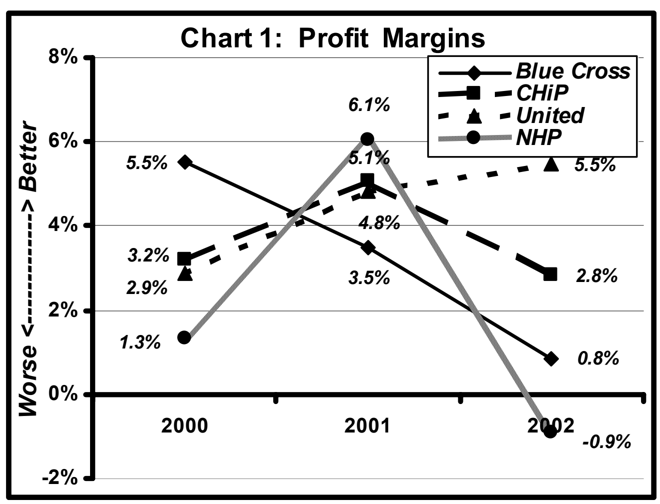
I: Executive Summary

The four health insurers domiciled in Rhode Island[1] constitute a $2 billion dollar industry comprising 8 percent of the Gross State Product. Together, they spend $1.7 billion on healthcare services, mostly to in-state providers. In addition, they expend another $214 million on payroll, marketing, investment and other support services. On the other hand, it costs purchasers (individuals, employers, and other third parties) $1.9 billion to secure their healthcare coverage through these firms.

Because of health insurers' importance to financing healthcare and the related impact on the economy, the Department of Health (HEALTH) presents this, the first financial analysis of the state's health insurers based on their Statutory filings.

Compared to their national counterparts in 2001, RI health insurers[2]:

- were much more profitable *(4.3% vs. 0.9% profit margins)*,
- they increased in value faster *(50% vs. 16% equity growth rates)*,
- they had stronger Balance Sheets *(1.7 vs. 1.5 overall liquidity)*,
- but held more in unpaid claims *(56 vs. 46 days claims payment period)*.
- RI insurers financed with less debt *(.04 vs. 0.1 debt to equity)*,
- their reserves were significantly larger *(1.8 vs. 1.2 months reserves)*, and
- they operated more efficiently *(10.8% vs. 11.2% administrative overhead)*.
- In 2002, statewide profitability decreased *(4.3% to 2.3%)*; equity growth tapered off *(+50% to +11%)*; liquidity improved *(1.72 to 1.76)*; as did the reserves *(1.8 to 1.9 months)*; and the administrative overhead remained steady *(10.8% and 10.8%)*.



Profitability measures examine the generation of net income, and the creation of wealth. Profitability is key to an insurer's long-term survival because it provides the means to update information systems, to expand marketing, and to build up the reserves. Through 2001, statewide profitability was higher in RI than either in the nation or New England, however, profit margins declined from 4.3% to 2.3% in 2002. Individually, United was the only insurer to increase its profits in 2002 and Neighborhood (NHP) saw a significant downturn (Chart 1). In 2000 and 2001, the growth in net assets (net worth) was also greater in RI than elsewhere although the trend was tempered in 2002 (from 50% to 11%). With the exception of NHP in 2002, each insurer successfully increased its net worth every year, in spite of very weak financial markets that decimated returns on insurers' investments.

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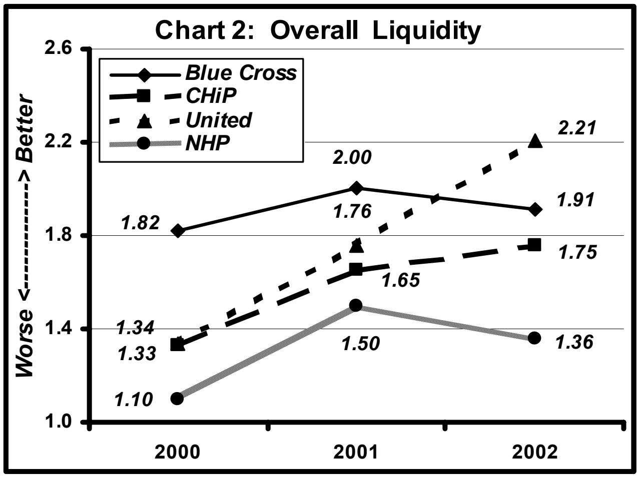
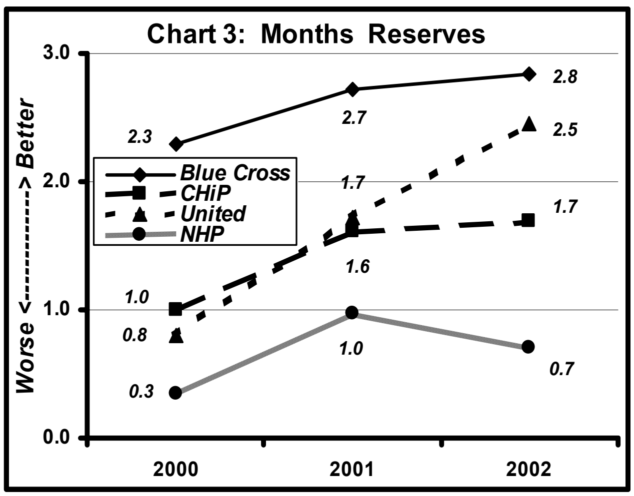
1 *Blue Cross & Blue Shield of RI (Blue Cross), Coordinated Health Partners (CHiP), UnitedHealthcare of NE (United), and Neighborhood Health Plan of RI (NHP)*

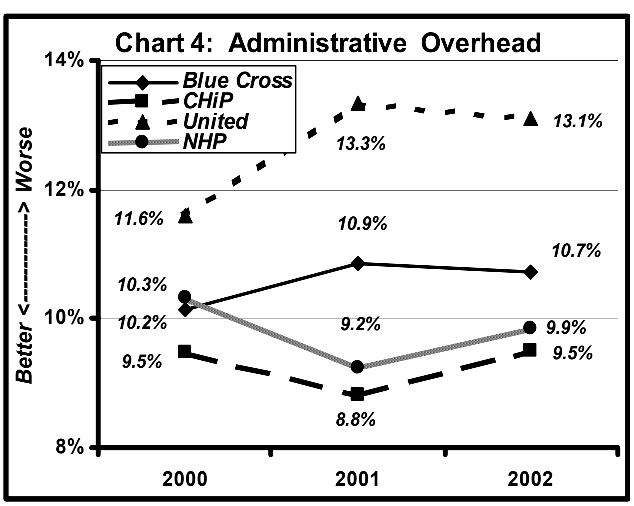
2 *Comparison of statewide performance (RI vs. US) for 2001 (the most recent year for national & regional benchmark data from AM Best Company)*



Liquidity measures assess the ability of an insurer to cover its obligations, and the relative amount of claims outstanding. Deterioration in liquidity usually indicates cash flow problems and financial difficulty**.** The statewide *Overall Liquidity* measures were stronger than the national and regional values through 2001, and RI's performance improved further in 2002 (1.72 to 1.76). However, individual insurers experienced mixed results in this statistic (Chart 2). Unpaid claims were another matter. RI insurers held significantly greater payables than did other insurers, although, there was a favorable reduction in this statistic each year locally. If RI firms were experiencing cash flow problems, this would be the first payable to be extended and the trend would be just the opposite.



Leverage measures define the relative importance of debt and equity in financing the insurer, and the number of months operations could be supported from reserves. The state's health insurers were favorably capitalized, with less debt than their national counterparts (and similar debt to their New England counterparts). Nor has RI's low financial leverage changed much over the 2000-2002 period, with only approximately $1 in debt for every $20 in equity. In addition, RI reserves were greater than in the nation or New England. Local reserves continued to grow in 2002, so they covered 1.9 months of average operating expenses statewide. Individually, all insurers saw their *Months Reserves* increase (Chart 3), with the exception of NHP in 2002 (because of the decline in its net assets noted above).



Efficiency measures how productively the insurer uses its assets to generate revenue and how proficiently it runs its business. Statewide turnovers decreased from 2000-2002, with CHiP and NHP the only insurers to improve their performance on this statistic. The statewide decline was not due to an unfavorable decrease in revenue (+9%, 2000-'02), but to the faster growth in total assets (+25%, 2000-'02). RI's *Administrative Overhead* was lower than both the national and regional values through 2001. RI maintained its favorably efficient operations into 2002.

II. Introduction

The technique of ratio analysis has been used for years by investors, financiers and managers to assess the performance of businesses, including insurance companies. The *Health of Rhode Island's Health Insurers* uses that tool to present the first financial analysis of the State's domiciled[3] health insurance industry. It compares each insurer's performance over time (2000-2002), and benchmarks the state as a whole to the national and New England experience. The primary data sources are the Statutory financial statements and the comparable national and regional data are from AM Best's Managed Care Reports –HMO, 2002.

RI has four health insurers incorporated and domiciled in the state, Blue Cross & Blue Shield of RI (Blue Cross), Coordinated Health Partners (CHiP), UnitedHealthcare of NE (United), and Neighborhood Health Plan of RI (NHP). Blue Cross is a not-for-profit health service corporation, and CHiP, its wholly owned subsidiary, is a for-profit Health Maintenance Organization (HMO). United, is a for-profit HMO, and NHP is a not-for-profit HMO.

The following caveats should help improve the Report's utility:

- This Report examines financial operations only. It does not include information on other aspects of performance (e.g., access, clinical, utilization, satisfaction, etc.) See www.health.ri.gov for publications on these issues.[4]
- All health insurers are evaluated, regardless of tax status, product line(s) or organizational structure. Hypothetically, financial performance is independent of categorization (i.e., any insurer in the same market area has equal opportunity to perform equally well on any financial measure). Therefore, any classification into smaller sub-groups is not productive with only four insurers in the state.
- The primary data source is the Audited Statutory Statements filed with the RI Department of Business Regulation (and HEALTH). These filings are based on Statutory Accounting Principles (SAP) as opposed to Generally Accepted Accounting Principles (GAAP) used in preparing the Audited Financial Statements. A key difference is that the Statutory Statements consider the wholly insured book-of-business only, as opposed to the Audited Financials which capture all lines of business an insurer is engaged in. Therefore, this Report analyzes the insurers' primary function, underwriting healthcare coverage, it is not inclusive of all corporate activities. Statutory filings were chosen as the source documents primarily because of the availability of comparable benchmark data.
- The statewide metric is the total (i.e., the aggregate[5]) of all four health insurers as opposed to another statistic such as the average or median. The total is an accurate representation of statewide performance because it weights a larger insurer (Blue Cross) more heavily than a smaller one (NHP).
- With every conclusion of overall RI performance, there may be individual exceptions. For example, the statewide *Equity Growth Rate was* 11% in 2002, but NHP experienced a –17% decline that year.

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[3] *i.e., RI has primary regulatory responsibility for the insurer which may differ from the location of its corporate headquarters*

[4] *i.e., the Rhode Island Commercial Health Plans' Performance Report –2001, and the Rhode Island Medicare & Medicaid Health Plans' Factbook –2001*

[5] *i.e., the numerator is the total of all 4 insurers' numerators and the denominator is the total of all 4 insurers' denominators*

III. Profitability

Profitability measures examine the generation of net income, and the creation/retention of wealth. Profitability is key to an insurer's long-term survival. Insurers that are consistently unprofitable will have insufficient funds to meet current requirements, to invest in new information systems, or to add to the reserves. Two profitability statistics are presented: *Profit Margin*, and *Equity Growth Rate(s)* (Table 1).

TABLE 1: PROFITABILITY MEASURES

	-1- *Profit Margin* 2000	2001	2002	-2- *Equity Growth Rate* 2000	2001	2002
Blue Cross & Blue Shield of RI	5.5%	3.5%	0.8%	57%	40%	5%
Coordinated Health Partners	3.2%	5.1%	2.8%	95%	82%	23%
United HealthCare of NE	2.9%	4.8%	5.5%	187%	71%	37%
Neighborhood Health Plan of RI	1.3%	6.1%	-0.9%	84%	279%	-17%
RHODE ISLAND:	4.0%	4.3%	2.3%	73%	50%	11%
Benchmarks United States:	0.7%	0.9%		12%	16%	
Benchmarks New England:	1.5%	2.2%		34%	27%	
Benchmarks Connecticut:	1.9%	2.1%		53%	17%	
Benchmarks Massachusetts:	1.3%	1.8%		21%	19%	

1 net income / total revenue; higher values are preferred
2 % year-to-year change in net assets; higher values are preferred
Benchmarks are from AM Best's Managed Care Reports -HMO, 2002, 2002 data not available

The *Profit Margin* is the bottom-line profit from insurance operations and investment activities, reflecting all realized gains and losses for the year. All organizations, regardless of tax-status, need to operate profitably in order to remain viable. Compared to their national and regional counterparts, RI insurers were much more profitable, although there was a general decline in margins in 2002. That year, the increase in medical expenses (+4%) outpaced the growth in total revenue (+3%) driving the margins down. Individual profitability histories were varied, with only United increasing its profitability each year. NHP had a very poor finish (-0.9%) because of markedly increased medical expenses (+16% in 2002). Its administrative expenses also increased (+15%), but they remained the second lowest in the state on a relative basis.

The *Equity Growth Rate* measures what is happening to the net worth of the insurer. Healthy organizations are expected to increase in value over time. Two primary factors affect equity: profitability and investment returns. Any loss in equity is undesirable. Statewide performance on this measure was very favorable, with net assets increasing a total of 212% over the period (+18% in 2002). On a comparative basis from 1999-2001, statewide equity increased ~160% versus only 30% across the nation and 70% in New England. Every individual insurer increased its net worth every year (with the exception of NHP in 2002 because of net losses). This is commendable performance given the difficult financial market conditions.

IV. Liquidity

Liquidity measures examine the ability of an insurer to meet its short-term obligations (i.e., to pay its bills), and the relative timing of claims payment. Most organizations experience a financial problem because of a liquidity crisis, and deterioration in these measures may presage future insolvency. Two liquidity statistics are examined: *Overall Liquidity*, and *Claims Payment Period* (Table 2).

TABLE 2: LIQUIDITY MEASURES

	-3- *Overall Liquidity*			-4- *Claims Payment Period*		
	2000	2001	2002	2000	2001	2002
Blue Cross & Blue Shield of RI	1.82	2.00	1.91	56	57	54
Coordinated Health Partners	1.33	1.65	1.75	72	54	45
United HealthCare of NE	1.34	1.76	2.21	60	55	46
Neighborhood Health Plan of RI	1.10	1.50	1.36	82	63	56
RHODE ISLAND:	1.47	1.72	1.76	62	56	50
Benchmarks United States:	1.41	1.48		45	46	
Benchmarks New England:	1.42	1.53		43	41	
Benchmarks Connecticut:	1.40	1.52		32	32	
Benchmarks Massachusetts:	1.42	1.48		43	42	

3 total assets / total liabilities; higher values are preferred
4 claims payable / (medical expenses / 365); lower values are generally preferred
Benchmarks are from AM Best's Managed Care Reports -HMO, 2002, 2002 data not available

Overall Liquidity measures how many times total liabilities are covered by the assets available to meet those obligations. Higher values are preferred and the statewide experience showed a favorable increase every year. In addition, liquidity in RI was considerably stronger than in the national or the region. Individual insurers also improved their performance over the period (except for Blue Cross and NHP in 2002). There is a real cost in not maintaining liquidity. If working capital is insufficient, the insurer may need to fund its operations with a short-term loan. However, these borrowings are the most expensive and least desirable type of credit.

The *Claims Payment Period* provides a relative measure of the outstanding medical claims, equating them to how many days it would take to pay them off at the current average rate of reimbursement. It does not measure the actual time it takes an insurer to settle a particular claim. Generally, it is in an insurer's best interest to postpone payables as long as good provider relations are maintained. From the providers' standpoint, the opposite is true. Nonetheless, *Claims Payment Period* presents a bellwether measure of liquidity. The first thing a company in financial difficulty will do is extend its payables. This was not the case in RI, as the statewide statistics decreased favorably every year, and each insurer reduced its payment period. However, RI values were higher than the comparable national and regional statistics.

V. Leverage

Leverage measures indicate the importance of debt in financing the insurer, and the ability to fund operations from equity. Two statistics are presented: *Debt to Equity*, and *Months Reserves* (Table 3).

TABLE 3: LEVERAGE MEASURES

	-5- Debt to Equity 2000	2001	2002	-6- Months Reserves 2000	2001	2002
Blue Cross & Blue Shield of RI	0.00	0.00	0.02	2.3	2.7	2.8
Coordinated Health Partners	0.09	0.05	0.04	1.0	1.6	1.7
United HealthCare of NE	0.28	0.16	0.12	0.8	1.7	2.5
Neighborhood Health Plan of RI	0.00	0.22	0.26	0.3	1.0	0.7
RHODE ISLAND:	0.06	0.04	0.05	1.2	1.8	1.9
Benchmarks United States:	0.13	0.10		1.0	1.2	
New England:	0.04	0.04		1.0	1.1	
Connecticut:	0.05	0.03		0.7	0.7	
Massachusetts:	0.02	0.03		1.1	1.2	

5 (long term debt + surplus/other notes) / net assets; lower values are preferred
6 net assets / (total expenses / 12); higher values are preferred
Benchmarks are from AM Best's Managed Care Reports -HMO, 2002, 2002 data not available

Debt to Equity measures the importance of debt in the insurer's capital structure. Lower values are preferred because they indicate less financial leverage (i.e., less reliance on borrowing). Debt is mostly a long-term obligation, so in the absence of arbitrage[6] opportunities, it should generally be avoided whenever possible. Statewide *Debt to Equity* values were enviably low. There was only $1 in debt for every $20 in equity, and that position held fairly constant. Statewide *Debt to Equity* was less than half that in the nation, but equivalent to that in New England. Few industries, or market segments therein, are so strongly capitalized. Health insurers are predominately marketers and purchasers of health services so it is not unexpected they would have so little financial leverage. With the exception of Information Systems, huge investments in property, plant and equipment are simply not needed. For those fixed assets that are required, many are obtained through operating leases. Individually, United and CHiP were the only insurers to reduce leverage over the period by holding debt constant as they grew their net assets.

Months Reserves are the number of months operations could be funded with equity. This statistic measures the duration of the insurer's net worth relative to its expenses, with higher values preferred. RI's insurers greatly improved this measure, from 1.2 months in 2000 to 1.9 months in 2002. Comparative local performance was also superior to the US and New England experience. United was the individual standout, increasing its *Months Reserves* from 0.8 months in 2000 to 2.5 months in 2002. NHP was a concern, however, as its reserves could only cover 0.7 months of operating expenses. Much debate centers over how large an insurer's reserves should be, how much is enough? Certainly less than three weeks of reserves does not provide much cushion in case of a market downturn.

6 *The simultaneous buying and selling of securities in separate markets to take advantage of different rates while controlling for risk (e.g., borrowing @ 5% to invest in 6% securities or a project returning 7%)*

VI. Efficiency

Efficiency refers to how productively an insurer uses its assets to generate revenue and how lean its operations are. Two efficiency measures are examined: *Total Asset Turnover*, and *Administrative Overhead* (Table 4).

TABLE 4: EFFICIENCY MEASURES

	-7- *Total Asset Turnover*			-8- *Administrative Overhead*		
	2000	2001	2002	2000	2001	2002
Blue Cross & Blue Shield of RI	$2.55	$2.32	$2.09	10.2%	10.9%	10.7%
Coordinated Health Partners	$3.08	$3.12	$3.15	9.5%	8.8%	9.5%
United HealthCare of NE	$3.95	$3.23	$2.91	11.6%	13.3%	13.1%
Neighborhood Health Plan of RI	$3.17	$4.35	$4.50	10.3%	9.2%	9.9%
RHODE ISLAND:	$3.27	$3.02	$2.86	10.4%	10.8%	10.8%
Benchmarks — United States:	n/a	n/a		12.1%	11.2%	
Benchmarks — New England:	n/a	n/a		11.8%	11.1%	
Benchmarks — Connecticut:	n/a	n/a		12.5%	12.1%	
Benchmarks — Massachusetts:	n/a	n/a		11.4%	10.3%	

7 total revenue / total assets; higher values are preferred
8 administrative expenses / premium revenue; lower values are preferred
Benchmarks are from AM Best's Managed Care Reports -HMO, 2002, 2002 data not available

The *Total Asset Turnover* is the consummate efficiency measure. It analyzes the productivity of the entire asset base. Higher ratio values are preferred and may reflect superior marketing, better investment returns, a smaller asset base, or any combination thereof. Statewide performance on this measure declined unfavorably. However, this was not as problematic as it seems. Over the period, total revenue increased 9% while total assets grew 25%, hence the drop in the *Turnover*. But the largest and fastest growing component of total assets was the long-term investments (+44%). Investments yielded $0.05 in revenue (as investment income) for every $1 invested. All other assets produced over $11.00 in revenue for every $1. As revenue generators, investments underperformed when compared to other assets. In 2000, investments were 65% of total assets compared with 75% in 2002, which contributed to the decline in the measure. Certainly, no one would argue for fewer investments as all their net income goes directly to profit. Individually, the *Total Asset Turnover* values were inverse to the size of the insurer, with smaller companies favored.

Administrative Overhead measures how much an insurer spends on management and marketing relative to the premium revenue it receives. Some of these expenses are fixed (i.e., they do not fluctuate greatly with changes in volume) so controlling them is essential. Statewide *Administrative Overhead(s)* remained stable, and were favorably below the US and NE comparables. CHiP had the lowest overhead in the state (9.5%) but NHP was most effective in controlling these costs over time. Its administrative expenses increased 46% from 2000-2002, less than the increase in its premium revenue (+53%). United actually reduced its expenses (-11%), but it was penalized by a 21% decrease in premiums over the same period.

Appendix

RI Domiciled Health Insurers[1] (Dollars in **Thousands**)	**2000**	**2001**	**2002**
1 Cash & Short-Term Investments	$85,539	$40,721	$43,069
2 Premiums Receivable	$40,330	$66,062	$41,935
3 Long-Term Investments	$358,383	$446,201	$515,933
4 Total Assets	$554,729	$639,500	$690,896
5 Claims Payable	$259,838	$247,927	$231,457
6 Unearned Premiums	$50,280	$48,418	$54,725
7 L.T. Debt/Surplus/Other Notes	$10,000	$12,000	$15,844
8 Total Liabilities	$376,102	$372,097	$393,158
9 Net Assets	$178,627	$267,403	$297,738
10 Total Premium Revenue	$1,790,478	$1,899,339	$1,948,154
11 Investment/Other Income	$22,712	$28,888	$28,801
12 Total Revenue	$1,813,190	$1,928,227	$1,976,955
13 Medical Expenses	$1,533,555	$1,611,206	$1,678,297
14 Administrative/Operating Exp.	$188,892	$208,729	$214,391
15 Total Expenses	$1,722,447	$1,819,935	$1,892,689
16 Income	$90,743	$108,293	$84,267
17 Income Taxes/Other	$17,813	$24,878	$39,569
18 Net Income	$72,930	$83,415	$44,698

[1] *includes: Blue Cross & Blue Shield of RI, Coordinated Health Partners, UnitedHealthcare of NE, and Neighborhood Health Plan of RI*

RI Domiciled Health Insurers			
	2000	**2001**	**2002**
PROFITABILITY:			
1 Profit Margin	4.0%	4.3%	2.3%
2 Equity Growth Rate	73%	50%	11%
LIQUIDITY:			
3 Overall Liquidity	1.47	1.72	1.76
4 Claims Payment Period	62	56	50
LEVERAGE:			
5 Debt to Equity	0.06	0.04	0.05
6 Months Reserves	1.2	1.8	1.9
EFFICIENCY:			
7 Total Asset Turnover	$3.27	$3.02	$2.86
8 Administrative Overhead	10.4%	10.8%	10.8%

1 *net income / total revenue; higher values are preferred*
2 *% change in net assets (1999 aggregate net assets were $103,275k); higher values are preferre*
3 *total assets / total liabilities; higher values are preferred*
4 *claims payable / (medical expenses / 365); lower values are generally preferred*
5 *(long term debt + surplus/other notes) / net assets; lower values are preferred*
6 *net assets / (total expenses / 12); higher values are preferred*
7 *total revenue / total assets; higher values are preferred*
8 *administrative expenses / total premium revenue; lower values are preferred*

Blue Cross & Blue Shield of RI -Consolidated[1] (Dollars in Thousands)	2000	2001	2002
1 Cash & Short-Term Investments	$42,350	$35,333	$36,224
2 Premiums Receivable	$32,670	$57,544	$38,506
3 Long-Term Investments	$245,971	$302,506	$353,204
4 Total Assets	$386,416	$470,779	$509,499
5 Claims Payable	$165,566	$175,609	$168,532
6 Unearned Premiums	$27,462	$35,469	$40,211
7 L.T. Debt/Surplus/Other Notes	$0	$0	$3,844
8 Total Liabilities	$245,730	$273,510	$302,816
9 Net Assets	$140,686	$197,269	$206,684
10 Total Premium Revenue	$1,153,984	$1,331,023	$1,382,974
11 Investment/Other Income	$15,838	$20,495	$20,540
12 Total Revenue	$1,169,821	$1,351,519	$1,403,514
13 Medical Expenses	$987,430	$1,143,871	$1,208,520
14 Administrative/Operating Exp.	$116,221	$137,869	$144,498
15 Total Expenses	$1,103,651	$1,281,740	$1,353,018
16 Income	$66,170	$69,778	$50,496
17 Income Taxes/Other[2]	$10,371	$15,686	$28,767
18 Net Income	$55,799	$54,093	$21,729

[1] Includes Coordinated Health Partners (a wholly owned subsidiary), intercompany eliminations have been netted out

[2] includes one-time $18,541k statutory pension plan adjustment in 2002

Blue Cross & Blue Shield of RI -Consolidated	2000	2001	2002
PROFITABILITY:			
1 Profit Margin	4.8%	4.0%	1.5%
2 Equity Growth Rate	57%	40%	5%
LIQUIDITY:			
3 Overall Liquidity	1.57	1.72	1.68
4 Claims Payment Period	61	56	51
LEVERAGE:			
5 Debt to Equity	0.00	0.00	0.02
6 Months Reserves	1.5	1.8	1.8
EFFICIENCY:			
7 Total Asset Turnover	$3.03	$2.87	$2.75
8 Administrative Overhead	9.9%	10.2%	10.3%

1 net income / total revenue; higher values are preferred
2 % change in net assets (1999 net assets were $89,580k); higher values are preferred
3 total assets / total liabilities; higher values are preferred
4 claims payable / (medical expenses / 365); lower values are generally preferred
5 (long term debt + surplus/other notes) / net assets; lower values are preferred
6 net assets / (total expenses / 12); higher values are preferred
7 total revenue / total assets; higher values are preferred
8 administrative expenses / total premium revenue; lower values are preferred

Blue Cross & Blue Shield of RI -Net[1] (Dollars in Thousands)	2000	2001	2002
1 Cash & Short-Term Investments	$16,583	$8,955	$13,251
2 Premiums Receivable	$24,758	$47,367	$31,385
3 Long-Term Investments	$208,884	$267,929	$311,807
4 Total Assets	$311,614	$393,830	$433,398
5 Claims Payable	$100,407	$121,026	$115,698
6 Unearned Premiums	$9,126	$11,700	$13,725
7 L.T. Debt/Surplus/Other Notes	$0	$0	$3,844
8 Total Liabilities	$170,928	$196,561	$226,714
9 Net Assets	$140,686	$197,269	$206,684
10 Total Premium Revenue	$783,754	$900,159	$892,603
11 Investment/Other Income	$11,131	$14,459	$14,371
12 Total Revenue	$794,884	$914,618	$906,974
13 Medical Expenses	$657,014	$773,130	$775,749
14 Administrative/Operating Exp.	$80,714	$99,308	$97,260
15 Total Expenses	$737,728	$872,438	$873,009
16 Income	$57,156	$42,180	$33,966
17 Income Taxes/Other[2]	$13,425	$10,244	$26,283
18 Net Income	$43,731	$31,936	$7,682

1 Source: Statutory Statements (net of Coordinated Health Partners, a wholly owned subsidiary)
2 includes one-time $18,541k statutory pension plan adjustment in 2002

Blue Cross & Blue Shield of RI -Net	2000	2001	2002
PROFITABILITY:			
1 Profit Margin	5.5%	3.5%	0.8%
2 Equity Growth Rate	57%	40%	5%
LIQUIDITY:			
3 Overall Liquidity	1.82	2.00	1.91
4 Claims Payment Period	56	57	54
LEVERAGE:			
5 Debt to Equity	0.00	0.00	0.02
6 Months Reserves	2.3	2.7	2.8
EFFICIENCY:			
7 Total Asset Turnover	$2.55	$2.32	$2.09
8 Administrative Overhead	10.2%	10.9%	10.7%

1 net income / total revenue; higher values are preferred
2 % change in net assets (1999 net assets were $89,580k); higher values are preferred
3 total assets / total liabilities; higher values are preferred
4 claims payable / (medical expenses / 365); lower values are generally preferred
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6 net assets / (total expenses / 12); higher values are preferred
7 total revenue / total assets; higher values are preferred
8 administrative expenses / total premium revenue; lower values are preferred

Coordinated Health Partners[1] (Dollars in Thousands)	2000	2001	2002
1 Cash & Short-Term Investments	$25,767	$26,379	$22,973
2 Premiums Receivable	$7,912	$10,177	$7,121
3 Long-Term Investments	$67,389	$89,733	$109,268
4 Total Assets	$121,574	$139,912	$157,832
5 Claims Payable	$65,519	$54,706	$52,978
6 Unearned Premiums	$18,336	$23,769	$26,486
7 L.T. Debt/Surplus/Other Notes	$2,711	$2,711	$2,711
8 Total Liabilities	$91,272	$84,757	$89,960
9 Net Assets	$30,302	$55,155	$67,872
10 Total Premium Revenue	$370,230	$430,864	$490,371
11 Investment/Other Income	$4,707	$6,037	$6,168
12 Total Revenue	$374,937	$436,901	$496,540
13 Medical Expenses	$330,416	$370,741	$432,771
14 Administrative/Operating Exp.	$35,508	$38,561	$47,238
15 Total Expenses	$365,924	$409,302	$480,009
16 Income	$9,013	$27,599	$16,531
17 Income Taxes/Other	($3,054)	$5,442	$2,484
18 Net Income	$12,068	$22,157	$14,047

1 Source: Statutory Financial Statements

Coordinated Health Partners	2000	2001	2002
PROFITABILITY:			
1 Profit Margin	3.2%	5.1%	2.8%
2 Equity Growth Rate	95%	82%	23%
LIQUIDITY:			
3 Overall Liquidity	1.33	1.65	1.75
4 Claims Payment Period	72	54	45
LEVERAGE:			
5 Debt to Equity	0.09	0.05	0.04
6 Months Reserves	1.0	1.6	1.7
EFFICIENCY:			
7 Total Asset Turnover	$3.08	$3.12	$3.15
8 Administrative Overhead	9.5%	8.8%	9.5%

1 net income / total revenue; higher values are preferred
2 % change in net assets (1999 net assets were $15,569k); higher values are preferred
3 total assets / total liabilities; higher values are preferred
4 claims payable / (medical expenses / 365); lower values are generally preferred
5 (long term debt + surplus/other notes) / net assets; lower values are preferred
6 net assets / (total expenses / 12); higher values are preferred
7 total revenue / total assets; higher values are preferred
8 administrative expenses / total premium revenue; lower values are preferred

UnitedHealthcare of NE (Dollars in Thousands)	2000	2001	2002
1 Cash & Short-Term Investments	$23,917	($4,877)	($5,695)
2 Premiums Receivable	$6,101	$4,956	$1,021
3 Long-Term Investments	$107,737	$135,731	$154,046
4 Total Assets	$141,352	$140,852	$152,277
5 Claims Payable	$77,292	$54,623	$44,487
6 Unearned Premiums	$16,263	$12,949	$14,514
7 L.T. Debt/Surplus/Other Notes	$10,000	$10,000	$10,000
8 Total Liabilities	$105,861	$80,000	$68,942
9 Net Assets	$35,491	$60,852	$83,335
10 Total Premium Revenue	$551,720	$448,446	$435,864
11 Investment/Other Income	$6,162	$6,903	$6,504
12 Total Revenue	$557,882	$455,348	$442,367
13 Medical Expenses	$470,641	$364,382	$350,250
14 Administrative/Operating Exp.	$63,917	$59,795	$57,142
15 Total Expenses	$534,557	$424,177	$407,391
16 Income	$23,325	$31,171	$34,976
17 Income Taxes/Other	$7,340	$9,192	$10,802
18 Net Income	$15,985	$21,979	$24,174

Source: Statutory Financial Statements

UnitedHealthcare of NE	2000	2001	2002
PROFITABILITY:			
1 Profit Margin	2.9%	4.8%	5.5%
2 Equity Growth Rate	187%	71%	37%
LIQUIDITY:			
3 Overall Liquidity	1.34	1.76	2.21
4 Claims Payment Period	60	55	46
LEVERAGE:			
5 Debt to Equity	0.28	0.16	0.12
6 Months Reserves	0.8	1.7	2.5
EFFICIENCY:			
7 Total Asset Turnover	$3.95	$3.23	$2.91
8 Administrative Overhead	11.6%	13.3%	13.1%

1 net income / total revenue; higher values are preferred
2 % change in net assets (1999 net assets were $12,362k); higher values are preferred
3 total assets / total liabilities; higher values are preferred
4 claims payable / (medical expenses / 365); lower values are generally preferred
5 (long term debt + surplus/other notes) / net assets; lower values are preferred
6 net assets / (total expenses / 12); higher values are preferred
7 total revenue / total assets; higher values are preferred
8 administrative expenses / total premium revenue; lower values are preferred

Neighborhood Health Plan of RI (Dollars in *Thousands*)	2000	2001	2002
1 Cash & Short-Term Investments	$19,272	$10,265	$12,540
2 Premiums Receivable	$1,560	$3,563	$2,408
3 Long-Term Investments	$4,675	$7,964	$8,683
4 Total Assets	$26,961	$27,869	$29,119
5 Claims Payable	$16,979	$17,695	$18,438
6 Unearned Premiums	$6,555	$0	$0
7 L.T. Debt/Surplus/Other Notes	$0	$2,000	$2,000
8 Total Liabilities	$24,511	$18,587	$21,400
9 Net Assets	$2,450	$9,282	$7,719
10 Total Premium Revenue	$84,775	$119,870	$129,316
11 Investment/Other Income	$712	$1,490	$1,758
12 Total Revenue	$85,487	$121,360	$131,074
13 Medical Expenses	$75,484	$102,952	$119,528
14 Administrative/Operating Exp.	$8,754	$11,065	$12,752
15 Total Expenses	$84,238	$114,017	$132,280
16 Income	$1,248	$7,343	($1,206)
17 Income Taxes/Other	$102	$0	$0
18 Net Income	$1,146	$7,343	($1,206)

Source: Statutory Financial Statements

Neighborhood Health Plan of RI	2000	2001	2002
PROFITABILITY:			
1 Profit Margin	1.3%	6.1%	-0.9%
2 Equity Growth Rate	84%	279%	-17%
LIQUIDITY:			
3 Overall Liquidity	1.10	1.50	1.36
4 Claims Payment Period	82	63	56
LEVERAGE:			
5 Debt to Equity	0.00	0.22	0.26
6 Months Reserves	0.3	1.0	0.7
EFFICIENCY:			
7 Total Asset Turnover	$3.17	$4.35	$4.50
8 Administrative Overhead	10.3%	9.2%	9.9%

1 net income / total revenue; higher values are preferred
2 % change in net assets (1999 net assets were $1,333k); higher values are preferred
3 total assets / total liabilities; higher values are preferred
4 claims payable / (medical expenses / 365); lower values are generally preferred
5 (long term debt + surplus/other notes) / net assets; lower values are preferred
6 net assets / (total expenses / 12); higher values are preferred
7 total revenue / total assets; higher values are preferred
8 administrative expenses / total premium revenue; lower values are preferred